



DEFENSE INTELLIGENCE AGENCY
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Executive Registry

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Mr. John McMahon
Deputy Director of Central Intelligence
Central Intelligence Agency
Washington, D.C. 20505

Dear John:

1. During the past few months, it has become increasingly clear that both the DIA and the CIA need to address the issue of Soviet defense costs with some degree of accord. While I am not suggesting that either agency cede any independence, it appears that we must be prepared to present as representative and harmonious a picture as possible if we are to be responsive to our many customers in the Executive Branch and Congress. This is particularly the case with the considerable public attention this issue periodically receives.

2. The difficulty arising from the recent change made by the CIA in the base of the dollar cost calculations and subsequent release exemplifies what happens when each agency goes its own way on an issue directly impacting on many major customers.

3. To avoid apparent divisive situations in the future, I strongly recommend that a joint DIA-CIA effort -- the outcome could be an IIA -- be undertaken as soon as possible, with an unconditional and unequivocal mandate to accomplish the following with respect to the dollar estimates.

a. Devise an approach to presentations that encompasses the range of honest differences that remain unresolved;

b. Review DIA's and CIA's estimates of production and procurement of Soviet weaponry, to resolve, wherever possible, any differences between the two agencies that have not been settled at the working level. It is not likely that all the differences, some of which are indeed of significant magnitude, can be resolved; where we cannot, then at least we will all have a better understanding of the nature of these differences and the extent to which they impact on the overall estimates.

c. Conduct a "zero-base" review of the concepts, definitions and methodologies underlying the dollar costs. My staff has some serious reservations about the dollar costing methodologies, some of which stems from the fact that much of its framework was established many years ago. Despite the fact that military doctrine has been modified and our understanding and assessments have improved during the past couple of decades, this has gone unrecognized in the process of estimating military outlays. We need to determine what activities should be included or excluded from the estimates (such as leadership protection efforts designed to assure both national entity survival and the capability to prosecute a war; military construction troops).

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4. Our staffs need to examine underlying factors and estimates in order to resolve some significant differences. I have in mind the following examples: the personnel estimates, where we do not have agreed-upon community estimates of manpower levels and we employ U.S. pay rates, yet Soviet soldiers are not paid, trained, or generally as capable as equivalent U.S. troops. The second item pertains to the costs of developing and utilizing the latest technologies in the new weapon systems, and whether the present methodology adequately captures these increased costs. The third item is to examine operating and maintenance factors, with specific attention to those that have changed over the years, particularly with the introduction of newer, more technologically complex weaponry and equipment. Finally, we need to assure ourselves that the estimate of the level and direction of research and development outlays is the best the Community can provide.

5. These items by no means exhaust the list of concerns, but do serve to indicate the breadth of the problem. Many of these points complement and amplify issues raised in the "Blue ribbon" report when members of the MEAP reviewed and critiqued CIA's methodologies for estimating Soviet defense spending for the DCI in 1983. If we in the Intelligence Community are to produce the best possible product and maintain credibility, we must work together closely, and on a continuing basis. I see the advantages of this process as encouraging the reexamination and sharing of information on a wide range of military intelligence issues as well as on military economics. Further, I believe that the results of this effort should be brought before the NFIB in a special session that would lay out its substance and methodological aspects.

6. Finally, you should know that I have urged General Williams and he is attempting to schedule a breakfast with you to discuss the approaches outlined above as a way to help us all deal with the issue in the future.

Sincerely,



WILLIAM E. COOPER, JR.
Major General, U.S. Army
Deputy Director for Foreign
Intelligence

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